

CITY OF GIG HARBOR, WASHINGTON

WATER AND SEWER REVENUE BOND ANTICIPATION NOTE, 2001 (JUNIOR LIEN)

ORDINANCE NO. 887

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF GIG HARBOR, WASHINGTON, PROVIDING FOR CERTAIN IMPROVEMENTS TO THE CITY'S WATER AND SEWERAGE SYSTEM DECLARING THE ESTIMATED COST THEREOF; AUTHORIZING THE ISSUANCE OF WATER AND SEWER REVENUE BONDS TO PAY THE COSTS THEREOF; PROVIDING FOR THE ISSUANCE AND SALE OF A WATER AND SEWER REVENUE BOND ANTICIPATION NOTE OF THE CITY IN THE AGGREGATE PRINCIPAL AMOUNT OF \$1,500,000, FOR THE PURPOSE OF PROVIDING INTERIM FINANCING PENDING THE ISSUANCE OF SAID BONDS; PROVIDING THE DATE, FORM, TERMS AND MATURITY OF SAID NOTE AND FOR REPAYMENT OF SUCH NOTE; AND APPROVING THE SALE OF SUCH NOTE.

APPROVED ON JULY 23, 2001

PREPARED BY:

PRESTON GATES & ELLIS

ORDINANCE NO. 887

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WHEREAS, the City of Gig Harbor needs to make certain improvements to its combined water and sewerage system (the "System"); and

WHEREAS, the City is authorized by RCW ch. 39.50 to issue revenue bond anticipation notes in anticipation of the issuance of revenue bonds; and

WHEREAS, the City has received an offer from Bank of America, N.A. to purchase a revenue bond anticipation note on terms and conditions that are acceptable to this Council; and

WHEREAS, the City has issued its Water and Sewer Revenue and Refunding Bonds, 1994 dated July 1, 1994 issued pursuant to Ordinance No. 677 in the original principal amount of \$2,995,000 and currently outstanding in the principal amount of \$1,370,000, secured by a first parity lien on the revenues of the System.

WHEREAS, the City has outstanding \$661,762 under State Revolving Fund Loan Agreement No. SRF 94 dated May 18, 1994 (the "State Revolving Fund Loan") secured by lien on revenues of the System junior to the Outstanding Parity Bonds.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF GIG HARBOR, WASHINGTON DOES ORDAIN, as follows:

Section 1. Definitions. As used in this ordinance, unless a different meaning clearly appears from the context:

Assessments means any assessments levied in any utility local improvement district of the City created for the acquisition or construction of additions and improvements to and extensions of the System, if such assessments are pledged to be paid into the Bond Fund. The word "Assessments" shall also include any installments of assessments and any interest or penalties which may be due thereon.

Assessment Income means the principal of and interest on assessments levied in any utility local improvement district and pledged to be paid into the Bond Fund. In the case of assessments payable in installments, Assessment Income shall be allocated to the years in which it would be received if the unpaid principal balance of each assessment roll were paid in equal principal amounts over the remaining number of installments with interest on the declining balance at the times and at the rate provided in the ordinance confirming the assessment roll.

Bond Fund means the City of Gig Harbor Utility Bond Redemption Fund created in the office of the Treasurer of the City pursuant to Section 13 of Ordinance No. 468.

Bonds means the water and sewer parity revenue bonds of the City authorized to be issued in Section 3 of this ordinance as Future Parity Bonds for the purpose of providing permanent financing for the Improvements.

City means the City of Gig Harbor, Washington, a municipal corporation duly organized and existing under and by virtue of the laws of the State of Washington.

Code means the federal Internal Revenue Code of 1986, as the same shall be amended from time to time, and all regulations promulgated or applicable thereunder.

Costs of Maintenance and Operation mean all necessary operating expenses, current maintenance expenses, expenses of reasonable upkeep and repairs, and insurance and administrative expenses with respect to the System, but excludes depreciation, payments for debt service or into reserve accounts, costs of capital additions to or replacements of the System, municipal taxes or payments to the City in lieu of taxes.

Council means the City Council as the general legislative authority of the City as the same shall be duly and regularly constituted from time to time.

Debt Service Account means the account of that name created in the Bond Fund by Ordinance No. 468.

Future Parity Bonds means any water and sewer revenue bonds which the City may hereafter issue having a lien upon the Revenue of the System for the payment of the principal thereof and interest thereon equal to the lien upon the Revenue of the System of the Bonds.

Improvements means those additions, betterments and improvements authorized in Section 2 hereof.

Maturity Date means July 1, 2004.

Net Revenue means the Revenue of the System less the Costs of Maintenance and Operation.

Note means the City of Gig Harbor, Washington Water and Sewer Revenue Bond Anticipation Note, 2001 (Junior Lien), issued pursuant to this ordinance.

Note Account means the special account authorized to be established in Section 7 of this ordinance from which payment of the Note shall be made.

Note Register means the books or records maintained by the Note Registrar containing the name and mailing address of the owner of the Note or nominee of the owner and the remaining principal amount of the Note held by the owner or nominee.

Note Registrar means the Treasurer of the City as registrar and paying agent for the Note.

Outstanding Parity Bonds means the City's Water and Sewer Revenue and Refunding Bonds, 1994 dated July 1, 1994 issued pursuant to Ordinance No. 677 in the original principal amount of \$2,995,000 and currently outstanding in the principal amount of \$1,370,000.

Outstanding Parity Bond Ordinance means Ordinance No. 677, passed by the Council on July 11, 1994.

Parity Bonds means the Outstanding Parity Bonds and any Future Parity Bonds.

Project Fund means the Sewer Capital Construction Fund maintained by the Treasurer.

Registered Owner means the person in whose name the Note is registered on the Note Register.

State Revolving Fund Loan means the obligation of the City outstanding in the principal amount of \$661,762 under State Revolving Fund Loan Agreement No. SRF 94 dated May 18, 1994.

Reserve Account means the account created in the Bond Fund by Section 15 of Ordinance No. 468 and shall include any subaccount created therein.

Revenue Fund means the "City of Gig Harbor Utility Revenue Fund" authorized to be created by Section 12 of Ordinance No. 468, into which fund all of the Revenue of the System is to be deposited, as collected. The Revenue Fund may be maintained as one or more separate funds of the City into which all of the Revenue of the System shall be deposited.

Revenue of the System means all earnings, revenue and moneys received by the City from or on account of the operation of the System, including the income from investments of money in the Revenue Fund and the Bond Fund or from any other investment thereof. "Revenue of the System" shall also include any federal or state reimbursements of operating expenses to the extent such expenses are included as "Costs of Maintenance and Operation."

System means the existing sanitary sewerage collection and treatment system of the City, as it now exists and as it may later be added to, extended and improved, and the existing water supply and distribution system of the City, as it now exists and as it may later be added to, extended and improved for as long as any Parity Bonds remain outstanding.

Term Bonds means any Parity Bonds identified as such in the ordinance authorizing the issuance thereof, the payment of which is provided for by a requirement for mandatory deposits of money into a "sinking fund account" in the Bond Fund.

Treasurer means the Finance Director of the City.

Words importing the singular number include the plural number and vice versa.

Section 2. The Improvements. The Council of the City hereby specifies and adopts a plan for making the following improvements to the System (the "Improvements"): construction

of a new wastewater pump station and associated piping, and modifications to the wastewater treatment plant and the electrical and control systems.

In carrying out the Improvements, the City shall acquire and install all equipment and appurtenances necessary for its proper operation, and shall acquire by purchase, lease or condemnation all property, both real and personal, or any interest therein, and all rights-of-way, franchises, and easements necessary to carry out the Improvements, which is all as more particularly set forth in maps and plans prepared by Earth Tech.

It is hereby provided that said Improvements shall be subject to such changes as to details of size or location or any other details of said Improvements as may be authorized by the Council either prior to or during the actual course of construction.

Section 3. Authorization of Bonds. The estimated cost of the acquisition, construction and installation of the Improvements is hereby declared to be, as near as may be, the sum of \$1,500,000 which shall be provided by the issuance and sale of water and sewer revenue parity bonds of the City (the "Bonds").

Said Bonds shall bear interest at interest rates of not to exceed the maximum rate permitted at the time said Bonds are sold, shall be issued at such time as may be found necessary, and shall mature in various amounts and at such times up to a maximum period of not to exceed forty years from date of issue as may be fixed by the Council at the time of issuance. Both principal and interest on said Bonds shall be paid from the Revenue of the System. The exact date, form, terms and maturities of said Bonds shall be as hereafter fixed by ordinance of the City Council.

Section 4. Authorization of the Note. For the purpose of providing interim financing for the Improvements pending the completion of the Improvements and the issuance and delivery of the Bonds, the City Council hereby authorizes the issuance and sale of its water and sewer revenue bond anticipation note (the "Note"). The Note shall be designated as the "City of Gig Harbor, Washington, Water and Sewer Revenue Bond Anticipation Note, 2001 (Junior Lien)," shall be dated as of its date of delivery, shall be issued in fully registered form in the

denomination of \$1,500,000, shall bear interest on unpaid principal from its date at a per annum rate of 4.30%, payable at maturity, and shall mature on July 1, 2004 (the "Maturity Date"). Interest on the Note shall be calculated on the basis of a 360-day year with 30-day months.

The Note shall not be a general obligation of the City. The Note shall be an obligation only of the Note Account and shall be payable and secured as provided herein. The Note does not constitute an indebtedness of the City within the meaning of the constitutional provisions and limitations of the State of Washington.

The Treasurer shall act as transfer agent, paying agent and registrar for the Note (the "Note Registrar"). Both principal of and interest on the Note shall be payable in lawful money of the United States of America. Upon final payment of all principal and interest thereon, the Note shall be submitted to the Note Registrar for cancellation and surrender.

The Note Register shall be maintained by the Note Registrar, and shall contain the name and mailing address of the registered owner of the Note or nominee of such registered owner.

The Note may be transferred only on the Note Register maintained by the Note Registrar for that purpose upon the surrender thereof by the registered owner or nominee or his/her duly authorized agent and only if endorsed in the manner provided thereon and thereupon a new fully registered Note of like principal amount, maturity and interest rate shall be issued to the transferee in exchange therefor. Such exchange or transfer shall be without cost to the owner or transferee.

Section 5. Optional Redemption. The City has reserved the right to prepay the Note prior to its maturity in whole or in part at any time, upon at least 5 days' written notice to the Bank subject only to prepayment fees as stated in Exhibit A attached hereto.

Section 6. Priority of Payments from Revenue Fund There has heretofore been established in the office of the Treasurer a special fund of the City known as the "City of Gig Harbor Utility Revenue Fund" (the "Revenue Fund"), into which the Revenue of the System is deposited as collected. The Revenue Fund shall be held separate and apart from all other funds

and accounts of the City, and the Revenue of the System shall be used only for the following purposes and in the following order of priority:

First, to pay the Costs of Maintenance and Operation of the System;

Second, to make all payments required to be made into the Bond Fund to pay the interest on any Parity Bonds;

Third, to make all payments required to be made into the Bond Fund to pay the maturing principal of any Parity Bonds;

Fourth, to make all payments required to be made into the Reserve Account created to secure the payment of the Parity Bonds;

Fifth, to make all payments required to be made under the State Revolving Fund Loan;

Sixth, to make all payments required to be made into the Note Account with respect to the Note;

Seventh, to make all payments required to be made into any other revenue bond redemption fund or revenue warrant redemption fund and debt service account or reserve account created to pay and secure the payment of the principal of and interest on any revenue bonds or revenue warrants of the City having a lien upon the Revenue of the System junior and inferior to the lien thereon for the payment of the principal of and interest on the Parity Bonds, the State Revolving Fund Loan and the Note; and

Eighth, to retire by redemption or purchase any outstanding revenue bonds or revenue warrants of the City, to make necessary additions, betterments and improvements and repairs to or extensions and replacements of the System, or for any other lawful City purposes.

Section 7. Note Account--Security and Sources of Payment of Note. There is hereby authorized to be established and the Treasurer of the City is authorized and requested to establish a special account of the City (the "Note Account"), which separate account shall constitute a special fund to be drawn upon only for the payment of the principal of and interest on the Note. The Note Account may be a special account within the City's Bond Fund and may be established at any time on or prior to the Maturity Date. The City hereby covenants and agrees that on or

before the Maturity Date, it will deposit in the Note Account proceeds of a refunding note and/or the proceeds of sale of the Bonds in an amount sufficient to pay the principal of and interest on the Note as the same become due.

The City hereby irrevocably obligates and binds itself for as long as the Note remains outstanding to set aside and pay into the Note Fund out of the proceeds of sale of the Bonds, or from Revenue of the System or moneys in the Revenue Fund available therefor after payment of the amounts identified in paragraphs First through Fifth of Section 6 of this ordinance, prior to the date the same becomes due such amounts as are required to pay the interest on and principal of the Note as the same shall become due.

The City hereby covenants that it will issue the Bonds in an amount sufficient, with other moneys of the City, legally available and specifically set aside for such purpose, to pay the interest on the Note as it comes due and the principal of the Note on or prior to its scheduled maturity.

Said amounts so pledged to be paid into the Note Fund, are hereby declared to be a prior lien and charge upon the Revenue of the System superior to all other charges of any kind or nature whatsoever, subject only to the payments provided in paragraphs First through Fifth of Section 6 of this ordinance.

Section 8. Sufficiency of Revenue of the System. The corporate authorities of the City hereby declare that in fixing the amounts to be paid into the Note Account as aforesaid they have exercised due regard to the Costs of Maintenance and Operation of the System and the charges necessary to pay and secure the payment of the principal of and interest on the Outstanding Parity Bonds, any Future Parity Bonds and the State Revolving Fund Loan and have not obligated the City to set aside and pay into said Note Account a greater amount of the Revenue of the System than in their judgment will be available over and above such Costs of Maintenance and Operation and the amounts necessary to pay the principal of and interest on Parity Bonds, the State Revolving Fund Loan and the Note.

Section 9. Specific Covenants.

(a) *Maintenance of System.* The City shall at all time maintain, preserve and keep the properties of the System in good repair, working order and condition and will from time to time make all necessary and proper repairs, renewals, replacements, extensions and betterments thereto, so that at all times the business carried on in connection therewith will be properly and advantageously conducted and said properties of the System and the business in connection therewith administered in an efficient manner and at a reasonable cost.

(b) *Collection and Application of Assessments.* The City will promptly collect all Assessments levied in utility local improvement districts that have been heretofore created by the City and all Assessments levied in utility local improvement districts heretofore created and all utility local improvement districts that are hereafter created to secure the payment of the principal of and interest on Parity Bonds and will pay the same into the Bond Fund. The same may be used to meet required payments into any Account of the Bond Fund and may be used to pay the principal of and interest on any Parity Bonds without said Assessments being particularly allocated to the payment of any particular series of bonds payable out of such Fund. It is hereby further provided, however, that nothing in this ordinance or in this subsection shall be construed to prohibit the City from issuing revenue bonds having a lien on the Revenue of the System and the money in the Revenue Fund junior to the lien on such revenue and money for the payment of the principal of and interest on the Bonds and pledging as security for the payment of such junior lien bonds assessments levied in any utility local improvement district that may have been created to pay part or all of the cost of improvements to the System for which such junior revenue bonds were specifically issued.

(c) *Rates and Charges.* The City shall fix, maintain and collect rates and charges for the use of the services and facilities and all commodities sold, furnished or supplied by the System, which shall be fair and nondiscriminatory and shall adjust such rates and charges from time to time so that the Revenue of the System derived therefrom, together with Assessments collected, will at all times be sufficient (A) to pay the Costs of Maintenance and

Operation, (B) to pay the principal of and interest on all Parity Bonds, the State Revolving Fund Loan and the Note, as and when the same shall become due and payable, (C) to make adequate provision for the payment of the any Term Bonds, (D) to make when due all payments which the City is obligated to make into the Reserve Account and all other payments which the City is obligated to make pursuant to this ordinance, and (F) to pay all taxes, assessments or other governmental charges lawfully imposed on the System or the revenue therefrom or payments in lieu thereof and any and all other amounts which the City may now or hereafter become obligated to pay from the Revenue of the System by law or contract

(d) *No Encumbrances.* The City will not at any time create or permit to accrue or to exist any lien or other encumbrance or indebtedness upon the System or the Revenue of the System, or any part thereof, prior or superior to the lien thereon for the payment of Parity Bonds, and will pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the Revenue of the System, or any part thereof, or upon any funds in the hands of the City, prior to or superior to the lien of Parity Bonds, or which might impair the security of Parity Bonds.

(e) *Insurance.* The City will keep the works, plants and facilities comprising the System insured, and will carry such other insurance, with responsible insurers, with policies payable to the City, against risks, accidents or casualties, at least to the extent that insurance is usually carried by private corporations operating like properties, or will implement a self-insurance program with reserves adequate, in the judgment of the Council, to protect City and the owners of the Note against loss. In the event of any loss or damage, the City will promptly repair or replace the damaged portion of the insured property and apply the proceeds of any insurance policy for that purpose; or in the event the City should determine not to repair or reconstruct such damaged portion of the properties of the System, the proceeds of such insurance shall be paid into the Reserve Account to the extent that such transfer shall be necessary to make up any deficiency in said Reserve Account and the balance, if any, shall at the option of the City, be used

either for repairs, renewals, replacements, or capital additions to the System, for the redemption of Parity Bonds and the Note, or for deposit into the Reserve Account.

(f) *Books and Accounts.* The City shall keep proper books of account which shall be kept in accordance with any applicable rules and regulations prescribed by the State of Washington. The City shall prepare, and any owner of Parity Bonds may obtain copies of, balance sheets and profit and loss statements showing in reasonable detail the financial condition of the System as of the close of each year, and the income and expenses of such year, including the amounts paid into the Revenue Fund, the Bond Fund, and into any and all special funds or accounts created pursuant to the provisions of this ordinance, and the amounts expended for maintenance, renewals, replacements, and capital additions to the System.

(g) *Future Parity Bonds.* The City reserves the right to issue Future Parity Bonds in accordance with the terms set forth in the Outstanding Parity Bond Ordinance.

Section 10. Tax Covenants. The City covenants that it will not take or permit to be taken on its behalf any action that would adversely affect the exemption from federal income taxation of the interest on the Note and will take or require to be taken such acts as may reasonably be within its ability and as may from time to time be required under applicable law to continue the exemption from federal income taxation of the interest on the Note. Without limiting the generality of the foregoing, the City covenants that it will not take any action or fail to take any action with respect to the investment of the proceeds of any Note or other funds that would result in constituting the Note "arbitrage bonds" within the meaning of such term as used in Section 148 of the Code.

The City hereby covenants that it will not make any use of the proceeds from the sale of the Note or any other moneys or obligation of the City which may be deemed to be proceeds of such Note pursuant to Section 148(a) of the Code which, if such use has been reasonably expected on the date of delivery of the Note to the initial purchasers thereof, would have caused the Note to be "arbitrage bonds" within the meaning of said Section. The City will comply with the applicable requirements of Section 148(a) of the Code. The City covenants that it will not act

or fail to act in a manner which will cause the Note to be considered obligations not described in Section 103(a) of the Code.

The City will take no action and will make no use of the proceeds of the Note, or any other funds held under this ordinance which would cause any Bond to be treated as a "private activity bond" (as defined in Section 141(b) of the Code, as then in effect) subject to treatment under said Section 141(b) as an obligation not described in subsection (a) of said Section 141, unless the tax exemption thereof is not affected.

The City hereby designates the Note as a "qualified tax exempt obligation" for purchase by financial institutions pursuant to Section 265 of the Code. The City does not anticipate that it will issue more than \$10,000,000 in "qualified tax-exempt obligations" during the year 2001.

The City covenants that none of the proceeds of the Note will be used for any purpose other than as provided in this ordinance and that the City shall not suffer any amendment or supplement to this ordinance, or any departure from the due performance of the obligations of the City hereunder, that might materially and adversely affect the rights of the owners from time to time of the Note.

Section 11. Representations and Warranties. The City hereby makes the following representations, warranties and agreements.

(a) *Authority.* The City has full legal right, power and authority (i) to adopt this ordinance, (ii) to sell, issue and deliver the Note as provided herein and (iii) to carry out and consummate all other transactions contemplated by this ordinance.

(b) *Official Action.* By all necessary official action prior to or concurrently herewith, the City has duly authorized and approved the execution and delivery of, and the performance by the City of its obligations contained in the Note and this ordinance and the consummation by it of all other transactions contemplated by this ordinance in connection with the issuance of the Note, and such authorizations and approvals are in full force and effect and have not been amended, modified or supplemented in any material respect.

(c) *Ordinance a Valid Obligation.* This ordinance constitutes the legal, valid and binding obligation of the City.

(d) *Notification.* The City represents that it has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is an issuer whose arbitrage certifications may not be relied upon.

Section 12. Form of Note and Certificate of Authentication. The Note shall be in substantially the following form:

UNITED STATES OF AMERICA

\$1,500,000

No. 1

STATE OF WASHINGTON

CITY OF GIG HARBOR

WATER AND SEWER REVENUE BOND ANTICIPATION NOTE, 2001 (JUNIOR LIEN)

INTEREST RATE: 4.30% MATURITY DATE: JULY 1, 2004

REGISTERED OWNER: BANK OF AMERICA, N.A.

PRINCIPAL AMOUNT: ONE MILLION FIVE HUNDRED THOUSAND DOLLARS

The City of Gig Harbor, Washington, a municipal corporation of the State of Washington (the "City"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, but solely from the Note Account (hereinafter defined) on the Maturity Date the Principal Amount specified above and to pay interest thereon from the date hereof at the rate per annum of 4.30% computed on a 360-day year and twelve months of 30 days each, upon presentation and surrender of this note at the office of the Finance Director of the City ("Note Registrar"). Interest on this note shall be payable at maturity.

This note is issued pursuant to an ordinance of the City, adopted on July 23, 2001 (the "Note Ordinance"), for the purpose of financing various capital improvements to the City's combined system of water and sewerage in anticipation of the issuance of water and sewer revenue bonds, all in conformity with the Constitution and laws of the State of Washington.

The City has reserved the right to repay the principal amount of this note in whole or in part prior to its maturity on five days' written notice subject to prepayment fees as provided in the Note Ordinance.

This note is payable solely out of the Revenue of the System (as such term is defined in the Note Ordinance), and does not constitute a general obligation of the City. Both principal of and interest on this note are payable solely out of the special fund of the City known as the Note Account. The City does hereby pledge and bind itself to set aside and pay into the Note Account the amounts required by the Note Ordinance to be paid therein on ~~and~~ or prior to the maturity of the Note as the same shall become due from the proceeds of the Bonds (as authorized in the Note Ordinance) or from the sources and in the priority specified in the Note Ordinance.

This note is not a "private activity bond." The City has designated this note as a qualified tax exempt obligation for investment by financial institutions pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended.

The City hereby irrevocably covenants and agrees with the Registered Owner of this note that it will keep and perform all the covenants of this note and of the Note Ordinance (hereinafter defined) to be by it kept and performed. Reference is hereby made to the Note Ordinance for a complete statement of such covenants and for the definition of capitalized terms used herein.

This note shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Note Ordinance until the Certificate of Authentication hereon shall have been manually signed by or on behalf of the Note Registrar.

It is hereby certified that all acts, conditions and things required by the Constitution and statutes of the State of Washington to exist, to have happened, been done and performed precedent to and in the issuance of this note have happened, been done and performed and that the issuance of this note and the Note of this issue does not violate any constitutional, statutory or other limitation upon the amount of indebtedness that the City may incur.

IN WITNESS WHEREOF, the City of Gig Harbor, Washington, has caused this note to be signed with the manual or facsimile signature of its Mayor and attested by the manual or facsimile signature of the City Clerk of the City, and the seal of the City to be impressed or a facsimile thereof to be imprinted or otherwise reproduced hereon, as of this 31st day of July, 2001.

CITY OF GIG HARBOR, WASHINGTON

By /s/ manual or facsimile
Mayor

ATTEST:

 /s/ manual or facsimile
City Clerk

REGISTRATION CERTIFICATE

This note is registered in the name of the Registered Owner on the books of the City, in the office of the Treasurer (the "Note Registrar"), as to both principal and interest, as noted in the registration blank below. All payments of principal of and interest on this note shall be made by the City with full acquittance by the Note Registrar's wire transfer, made payable to the last Registered Owner as shown hereon and on the registration books of the Note Registrar at his/her address noted hereon and on the registration books of the Note Registrar.

<u>Date of Registration</u>	<u>Name and Address of Registered Owner</u>	<u>Signature of Registrar</u>
<u>July 31, 2001</u>	<u>Bank of America, N.A. 800 Fifth Avenue, Floor 34 Seattle, WA 98104</u>	_____

Section 13. Execution and Delivery of Note. The Note shall be executed on behalf of the City by the manual or facsimile signature of the Mayor and attested by the manual or facsimile signature of the City Clerk of the City. The official seal of the City shall be impressed or a facsimile thereof imprinted or otherwise reproduced on each Note. In case any officer whose signature shall appear on any Note shall cease to be an officer before the delivery of the Note, such signature shall nevertheless be valid and sufficient for all purposes, and the Note may be authenticated and delivered the same as if such officer had remained in office until such delivery.

The Note shall not be valid for any purpose until authenticated by the Note Registrar.

Section 14. Sale of the Note. The City hereby accepts the offer of Bank of America, N.A., Seattle, Washington, delivered to the City Council on this date to purchase the Note in accordance with the terms contained in this ordinance and said offer. The City officials are hereby authorized and directed to do everything necessary to complete such sale and delivery of the Note to the purchaser thereof upon the payment of the purchase price thereof, all in accordance with this ordinance and the offer of Bank of America, N.A.

Section 15. Application of Note Proceeds. The net proceeds of the Note received by the City will be deposited in the Project Fund and used to pay the costs of constructing, acquiring and installing the Improvements, including the costs of issuance of the Note.

All money held in the Project Fund may be invested in any legal investment for City funds and all investments shall be scheduled to mature as costs of the Improvements are reasonably anticipated to be incurred. Upon the completion of the Improvements and the payment of all costs thereof, including the payment of all retainages for construction, the Project Fund may be closed, and the remaining Note proceeds and interest earnings thereon shall be transferred to the Note Account to be used to pay the principal of and interest on the Note or, if the Note have been redeemed, may be transferred to the Bond Fund to pay debt service on the Bond.

Section 16. Severability. If any one or more of the covenants or agreements provided in this ordinance to be performed on the part of the City shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements of this ordinance and shall in no way affect the validity of the other provisions of this ordinance or of the Note.

Section 17 Effect of Covenants, Etc. All covenants, obligations and agreements of the City contained in this ordinance shall be deemed to be covenants, obligations and agreements of the City to the full extent authorized by the Act and permitted by the Constitution of the State of Washington. No covenant, obligation or agreement contained herein shall be deemed to be a covenant, obligation or agreement of any present or future official, member, agent or employee of the City in his or her individual capacity, and neither the members of the Council nor any officer thereof executing the Note shall be liable personally on the Note or be subject to any personal liability or accountability by reason of the issuance thereof. No member, officer, agent or employee of the City shall incur any liability in acting or proceeding or in not acting or proceeding, in good faith in accordance with the terms of this ordinance.

Section 18 Ongoing Disclosure. The City is exempt from the ongoing disclosure requirements of Securities and Exchange Commission Rule 15c2-12 by reason of the exemption set forth in subsection (d)(i) of that rule with respect to the issuance of securities in authorized denominations of \$100,000 or more.

Section 19 Effective Date. This ordinance shall be effective five days after its passage and publication in the manner required by law.

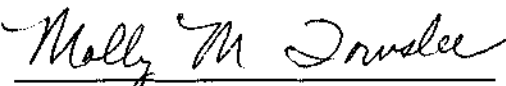
PASSED by the Council of the City of Gig Harbor, Washington at a regular meeting held on the 23rd day of July, 2001.

CITY OF GIG HARBOR, WASHINGTON



Mayor

ATTEST:



City Clerk

First Reading: July 9, 2001
Date Adopted: July 23, 2001
Date of Publication: August 1, 2001
Effective Date: August 6, 2001

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